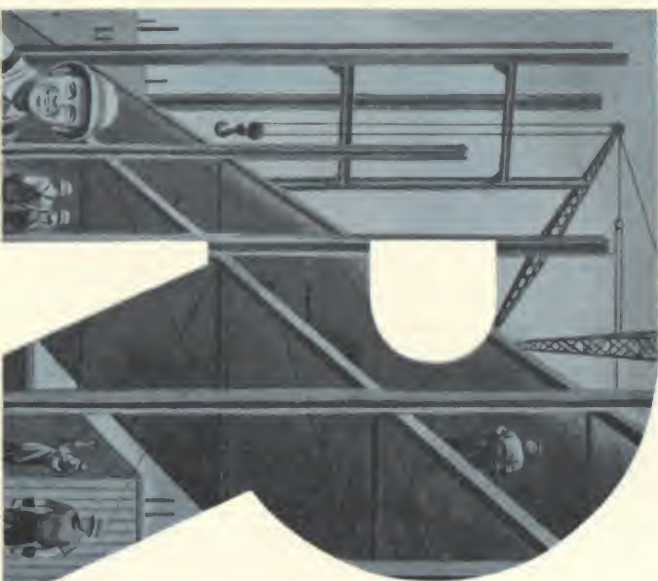


ANNUAL REPORT 1957

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE



An inviting look to Food Fair supermarkets is provided by new open-front store construction as typified by this unit at Shillington, Pennsylvania.



Design and planning of store interior is constantly under study by industrial engineers and interior designers to achieve increased efficiency and consumer shopping comfort.



FOOD FAIR STORES, INC. - ANNUAL REPORT 1957

For the fiscal year ended April 27, 1957

THE YEAR IN BRIEF	Fiscal (52 Weeks)	
	1957	1956
Sales	\$545,141,484	\$475,197,534
Net Income	\$8,624,604	\$8,603,034
Net Income per dollar of sales	1.6%	1.8%
Net Income per share of common stock based on 3,190,736 shares	\$2.62	\$2.60
Dividends Paid in Cash:		
Preferred Stock	\$278,292	\$294,231
Common Stock	\$3,165,433	\$3,053,117
Earnings retained in the business	\$5,180,879	\$5,255,686
Current assets	\$53,524,118	\$50,551,974
Current liabilities	\$23,914,901	\$18,181,912
Working capital	\$29,609,217	\$32,370,062
Number of supermarkets	273	238



CONTENTS

	<u>Page</u>		<u>Page</u>
The Year in Brief	1	Shopping Center Affiliate	9
Message from the Chairman and President	3	Community Relations	10
The Year in Review	4	Employees in Civic Affairs	10
Sales in New High Ground	4	Food Fair Stores Foundation	12
Investment in Future Earnings	4	Employee Relations	12
Operating Profit	4	Annual Meeting	13
Dividends	5	Ten-Year Statistical Summary	14-15
Financial Position	5	Certified Financial Statements	16
Capitalization	6	Consolidated Statement of Earnings	16
Employee Stock Option Plan	6	Consolidated Statement of Financial Condition	17
Store Operations	6	Consolidated Statement of Surplus	18
Industrial Engineers	7	Notes to Financial Statements	19
Research and Development Activities	8	Accountants' Certificate	19
Sav-Fair Division	8	Officers and Directors	20
Warehousing and Transportation	9	Food Fair Supermarkets	inside back cover

Welcome To Town

A group of Fairfield club leaders were given an unusual opportunity the other day. They were asked for their suggestions on how the new Food Fair market which opened here in town this week could better serve them.

The opportunity came following a tour by some 47 Fairfield ladies, of a Food Fair market in Stamford, as an advance preview of the new unit that opened here this week.

The fact that a new neighbor considered it important to meet these women and encourage their suggestions, we feel, points up a growing awareness of enlightened business management towards the community it serves.

Reviewing the background of Food Fair Stores, Inc., reveals this new neighbor has made community relations an important part of its program.

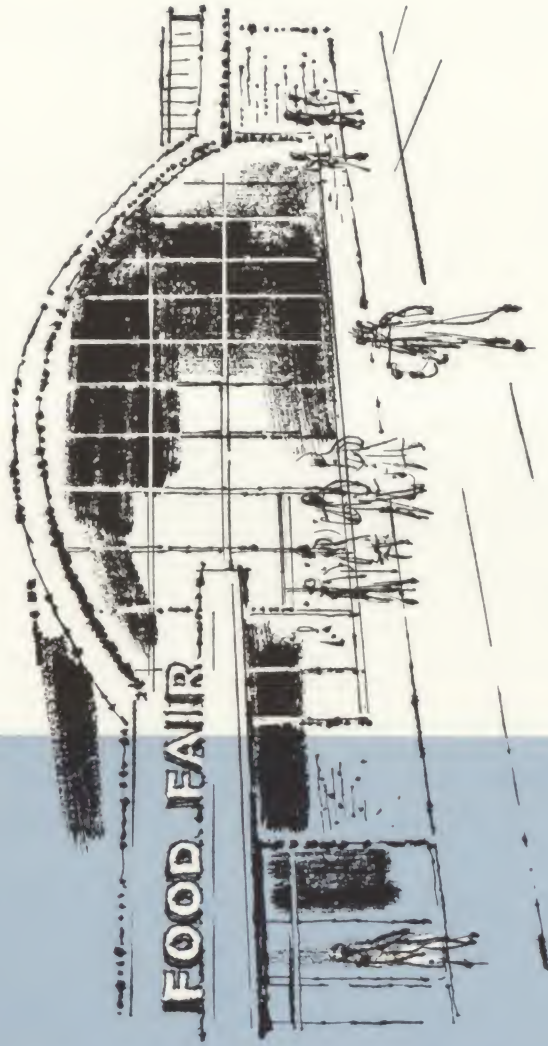
We noted with interest its sponsorship of Little League

baseball teams in which hundreds of youngsters participate each year, and the active role its employees take in community welfare activities. Their extensive scholarship program established through the Food Fair Stores Foundation is of special interest. Eligible for these scholarships are high school seniors in areas served by Food Fair and employees of the company and their families.

Since the program's inception three years ago, the Foundation has awarded 194 scholarships at 23 universities. In Connecticut, the Foundation has established grants at the University of Connecticut and Yale. Two young students, from Stratford and Bridgeport, are attending college on these scholarships.

We welcome this new neighbor to our town and wish them success in both their fine community program and their market.

*Editorial reprinted from
The Fairfield News
March 14, 1957*



To Food Fair Shareholders

Since Food Fair strives to be a good neighbor in the communities to which it moves, the editorial comment reproduced on the preceding page is gratifying. Our men and women are proud that the opening of our markets evoke such comment.

As observed in the editorial comment, the entry of Food Fair was heralded as a welcome addition to the Fairfield community. It is significant that this new market was but one of 42 outlets added in the fiscal year ended April 27, 1957. With the closing of seven smaller units, these brought to 273 the number of links in the chain extending over a ten-state area from Connecticut to Florida.

The impact of our over-all expansion can be measured in terms of the thousands of jobs made available in the new markets and in auxiliary services, to say nothing of the many job advancement opportunities created. Nor should sight be lost of the benefits our further growth has had not only on farmers, food processors and packers, but also on the countless industries whose products play a part in food marketing.

In the face of a number of challenges, Food Fair last year exceeded all previous records. Sales of \$545 million were attained as compared with \$475 million the previous year. In reaching this peak, the Company advanced from seventh to sixth place in sales among the nation's major retail food merchants and from fourteenth to twelfth among all retailers. In 1950, when for the first time it joined the list of the country's 20 biggest retailers, Food Fair ranked ninth in the retail food marketing classification.

Your Company's net income in the latest fiscal year also reached a new peak. This is especially gratifying in the face of higher costs of operation, our continued expansion program, and expenses involved in extending trading stamp operations.

We are adhering to our growth pattern—six supermarkets have been opened since April 27th—and our plans call for as many as 45 units to be added in the current fiscal year ending April 26, 1958.

We look forward to 1958 and the years beyond with confidence and with optimism. The affairs of this Company are being guided by a skillful, devoted and veteran management team. On such firm grounds we are charting our intermediate sales goal of \$1 billion by the end of fiscal 1961.

The following pages are designed to render a factual account of stewardship. In the final analysis, this account is a reflection of the industry and loyalty of Food Fair's thousands of men and women in whom we can take pride.

Sincerely,



Chairman of the Board



President



THE YEAR IN REVIEW



Sales in New High Ground

On April 27, 1957, Food Fair Stores, Inc., closed its books on the greatest year of expansion in its history. Many supermarkets were opened in existing marketing areas; still others were located in entirely new areas; several older markets were enlarged and modernized; warehouse, trucking and food processing operations were expanded to service the enlarged chain. The Company established new record highs in all operating phases of the business, and further progress was made in its continuing program of sound, steady growth for the future.

In the latest fiscal year, Food Fair's sales amounted to \$545,141,484, the largest ever. This is 14.7% in excess of the previous record high sales of \$475,197,534 attained in the fiscal year ended April 28, 1956, and represents the 24th successive increase in annual sales. It is significant to note that aggregate retail food sales in the United States increased 5% in 1956. That the uptrend of Food Fair sales is being extended is indicated in the fact that sales are currently at an annual rate in excess of \$590 million.

Investment in Future Earnings

From the beginning, the Food Fair management has viewed the expansion of its retail marketing system as an investment in future earnings and dividends. Incident to this growth there must be absorbed large start-up expenses as new supermarkets are opened and as auxiliary facilities are added. Consequently, expansion benefits do not immediately find full reflection in earnings.

This was particularly evidenced last year when 42 markets were added to our system, as compared with 29 the previous fiscal year. Following our entry into Connecticut in 1955, the Company last year extended its sphere of operations to Virginia, Georgia, Tennessee, and the west coast of Florida.

Operating Profit

Notwithstanding the extraordinary forces at work, the Company succeeded last year in earning the largest profit on the largest volume of sales in its history. Net income before taxes amounted to \$17,809,430 in the latest fiscal year as compared with \$17,004,552 in the previous year. Earnings, after taxes, from operations were \$8,397,089 compared with \$7,873,094 the preceding fiscal year, an

THE YEAR IN REVIEW

increase of 6.7%. Net income from sale of capital assets amounted to \$227,515 in the year just ended, compared with \$729,940 earned the year before. Net income after all charges and taxes was \$8,624,604, compared with \$8,603,034 the preceding fiscal year. These earnings were equivalent after preferred dividend requirements to \$2.62 per share on 3,190,736 shares of common stock, against \$2.60 per share on a like basis a year earlier.

Various factors have contributed to the phenomenal growth of the business now known as Food Fair Stores, Inc., since its inception in 1920. None of these factors has been more significant than the traditional policy of plowing back into the business a major portion of earnings to help finance growth. This policy has dictated the payment to common shareholders of moderate cash dividends, supplemented by stock dividends evidencing reinvested earnings.

In the latest fiscal year regular quarterly cash dividends of 25 cents each were paid on the common stock, or a total of \$1 per share. In addition, a 3% stock dividend was distributed on August 24, 1956.

Regular quarterly dividends of \$1.05 per share were paid on the \$4.20 cumulative preferred stock. Thus, cash dividends paid during the year on both the preferred and common stocks totaled \$3,443,725. There remained from earnings after the payment of cash dividends the sum of \$5,180,879 for reinvestment in the business.

Your Board of Directors on May 21, 1957, authorized a 3% stock dividend payable August 26, 1957 to shareholders of record July 12th.

The record expansion program in the past fiscal year was financed entirely through internal sources of funds. Reinvested earnings, depreciation charges and a better utilization of cash and working capital resources made it unnecessary for your Company to approach the money market for other than sale-lease backs and mortgages on stores and warehouse facilities.

Through reinvestment of earnings, the Company's net worth increased by \$4,835,086. Our

Dividends

Financial Position

THE YEAR IN REVIEW



financial condition remains strong. Your Company's working capital as of April 27, 1957 was \$29,609,217.

Capitalization

The number of common shares outstanding during the year increased by 92,927 due to the payment of a 3% stock dividend on August 24, 1956. There were outstanding at the year end 3,190,736 shares of common stock.

The number of preferred shares was reduced during the year by 3,560 through sinking fund operations. This reduction brought to 65,475 the number of preferred shares outstanding at the close of the year. Your Company now has 9,212 common and preferred shareholders, an increase of 10% compared with the previous year.

The Company's long term indebtedness was reduced during the year by purchases of outstanding debentures for sinking fund purposes.

Employe Stock Option Plan

At their annual meeting on August 28, 1956, Food Fair shareholders authorized the adoption of a restricted stock option plan applicable to officers, executives and supervisory personnel designated by the Board of Directors. In accordance with this authorization, options for 197,399 shares of the common stock were granted on November 27, 1956, to 800 key management personnel. These options are exercisable over a seven-year period, with purchases to start a year after the grant date. Up to 20% of the total option stock may be purchased in each year. The plan is designed to afford for key employees most directly responsible for operations, growth and development of the Company an added incentive in promoting the success of the business as a whole.

Store Operations

The opening and integrating of a record number of new supermarkets last year was the responsibility of the Store Operations department which, over the years, has faced the difficult task of keeping pace with the Company's growth program. Development and training of the key field personnel constitutes

FOOD FAIR EYING DISCOUNT CHAIN

Merger Talks Under Way With Enterprise-Fields

Food Fair Stores, Inc., which operates a supermarket chain of 438 stores, is planning to enter the discount chain store field.

The company is negotiating with Enterprise-J. M. Fields, Inc., discount store chain with headquarters in Boston, for a possible merger or acquisition. The proposed transaction, which has been under discussion for some time, would involve stock.

M. B. Marcus, executive vice president of Food Fair, said yesterday that terms would be disclosed when the deal materializes, which may be soon.

Would Become Subsidiary

Enterprise-J. M. Fields, Inc. stores along the Eastern Seaboard, extending down to Florida. Its sales are about \$60,000,000 a year. The privately owned company would be operated as a subsidiary of Food Fair.

Food Fair, the nation's sixth largest food chain in terms of volume, also sells household supplies and related items, and, in limited instances, soft goods. It would become the second food chain to enter the discount store field. The Grand Union Company was the first to do so by forming the Grand-Way Discount Centers five years ago.

Grand Union now has twenty such centers, selling a complete supermarket food line of 7,500 food items and upwards of 30,000 articles of general merchandise—from pins and needles to refrigerators and ranges.

Wh 1b	24	401/2	405 5/8	395 5/8	395 5/8	-	3/4
oro .35g ...	5	69	70	68 1/2	68 1/2	+	1/2
nk Str .80 ..	4	18 1/8	18 1/8	18	18		
t Sul 1.20 ..	34	35	35 1/4	34 3/4	34 3/4	+	1/4
h Tr 1.20 ..	88	26 1/8	26 3/8	25 5/8	25 5/8	-	3/8

G

RIEL	20	17	17 1/4	16 1/2	16 3/4	-	1/2
le Sk 1.20.	4	28 1/2	28 1/2	28 1/4	28 1/4	-	1/2
Wood	5	5	5	5	5		
pf2.25 ...	1	28 7/8	28 7/8	28 7/8	28 7/8	+	3/8
at 2b	19	51 3/4	51 7/8	51 1/8	51 1/8	-	3/4
Accept 1b .	3	24 1/2	24 1/2	24 3/8	24 3/8	-	1/4
acc pf.60 ..	6	12 1/2	12 3/4	12 1/2	12 3/4	+	1/4
nv .20g ...	20	27	27 1/4	27	27 1/4	+	1/4
pf4.50 ..z	40	96 3/4	96 3/4	96 3/4	96 3/4	+	3/4
Oil .40b .	11	23 1/2	23 1/2	22 3/4	22 3/4	-	3/4
an 2.25xd .	19	75 5/8	76 3/4	75 1/2	76 3/4	+	7/8
Bak .07p ..	22	75 5/8	75 5/8	75 5/8	75 5/8		
Bak pf2p..z	120	99 1/4	99 1/4	98	98	-	2
Banc .40 ..	7	93 5/8	93 5/8	91 5/8	91 5/8	-	1/8
ynze .50f ..	3	20	20	19 1/2	19 1/2	-	1/2
Cable 2 ...	30	41 3/4	42 3/4	41 3/4	42 3/4	+	3/4
l pf4	z120	80 1/2	80 1/2	80 1/2	80 1/2		
Cig 1	4	29 1/2	29 7/8	29 1/2	29 7/8	+	3/8
ont F .20g..	10	7	7	6 7/8	6 7/8	-	1/8
ontrols .60..	12	17 3/4	17 3/4	17 1/2	17 1/2	-	1/4
ynam 1	248	36	36	35 1/4	35 1/4	-	3/4
Elec 2	201	67 1/4	67 3/4	67 1/8	67 3/4	+	1/4
Finan 1.40 .	3	42 1/4	42 1/4	42	42	-	1
Fds 1.60 ..	48	81 3/4	82	81	81		
Instr .15e .	32	49	49	47	47 1/8	-	2 1/8
Mills 1.20 .	584	33 1/4	33 5/8	33	33 5/8	+	1/2
Mills pf5xd .z	60	110 1/4	110 1/4	109 1/2	109 1/2	-	2 1/4
Motors 2..	406	45 1/8	45 3/8	44 3/8	44 3/8	-	3/4
Mot pf 5...	5	107	107 1/4	106 3/4	107 1/4	-	1/8
ot pf 3.75..	2	81 1/8	81 1/8	81 1/8	81 1/8	-	3/4
Out Ad 1.30	6	37 1/2	37 1/2	37 1/4	37 1/4	-	3/4
Cem1.20a xd	22	36 1/8	36 1/8	34 7/8	35 3/8	-	5/8
Prec 1.20 ..	93	76	77 1/4	75 1/2	76 1/4	+	1/2
ec pf 2.98..	1	97	97	97	97	+	1 1/2
ec pf 1.60 .z	20	50	50	50	50		
Pub Sv .43g	17	71 5/8	71 1/4	71 5/8	71 1/4	+	1/4
Pub U 1.16.	75	30 3/8	30 5/8	30 1/8	30 5/8	+	5/8
y Sig 1a xd	8	47	47	46 1/4	46 1/4	-	1 1/4
c 1	16	24 7/8	25	24 3/4	25		
Stl Ind 1.60	4	36 1/8	36 3/8	36	36	+	1/8
I & El .76.	300	27	27	26 3/4	26 7/8	-	1/8
I F pfB 1.30	1	27 1/2	27 1/2	27 1/2	27 1/2	+	3/8
Time	59	15	15 1/8	15	15		
Tire 1.....	46	78 3/8	78 3/8	77	77 1/4	-	1/2
re pf 5.50.z	40	106	106	106	106		
re pf 5....z	20	99	99	99	99		
sco 1.60 ...	16	35	35 1/8	34 3/4	34 7/8	+	1/8
Pac 1b.....	43	71 3/8	72	71	71 1/4	-	3/4
er Pd 1....	15	52 1/2	52 3/4	50 5/8	51 3/4	-	1/4
y Oil	161	20	20 3/4	20	20 1/8	+	1/8
t PC .80...	30	21	21 1/4	20 7/8	21	+	1/8
tte 2.50a ..	19	116 1/4	116 3/4	115 1/4	116 1/2	-	1/4
bel 2.20	18	68 7/8	70 1/2	68 7/8	70 1/4	+	1/2
McB 1.....	20	20	20 1/4	19 3/4	19 3/4	-	3/8
Ald .40....	60	15 3/8	15 3/8	15 1/8	15 1/8	-	3/8
den 2	10	42	42 3/8	41 3/4	42 1/4	+	1/8
be W .60....	3	13	13	12 3/4	12 3/4		
bel Br	16	2 1/2	2 1/2	2 1/2	2 1/2	+	1/8
drich 2.20 xd	84	63 1/4	63 1/4	62 1/4	62 1/2	-	1/8
dyear .90b ..	82	41 1/8	41 1/2	41	41 1/2	+	1/2
ld Bat 1.20..	33	52	53 3/4	52	53 3/4	+	2
ce Co 1.60b.	28	71	71	70 1/4	70 5/8	+	1/8
h Paige	101	23 3/4	23 3/4	25 5/8	23 3/4	+	1/8
h Pg pf .60 xd	8	9 1/2	9 1/2	9 1/4	9 1/4	-	1/8
anby M	8	10 5/8	10 5/8	10 1/2	10 1/2	-	1/8
and Un .60b..	13	39 3/8	39 1/2	39 1/8	39 1/8	-	1/4
an C Stl 1.40.	23	52 1/2	52 1/2	51 3/4	51 3/4	-	1/2

A C O S A C C N D C U H T

a continuous program geared to the Company's expansion goals. Close coordination between Store Operations executives and the training specialists has assured the availability of prepared supervisory personnel, store managers and department managers necessary to attain those goals.

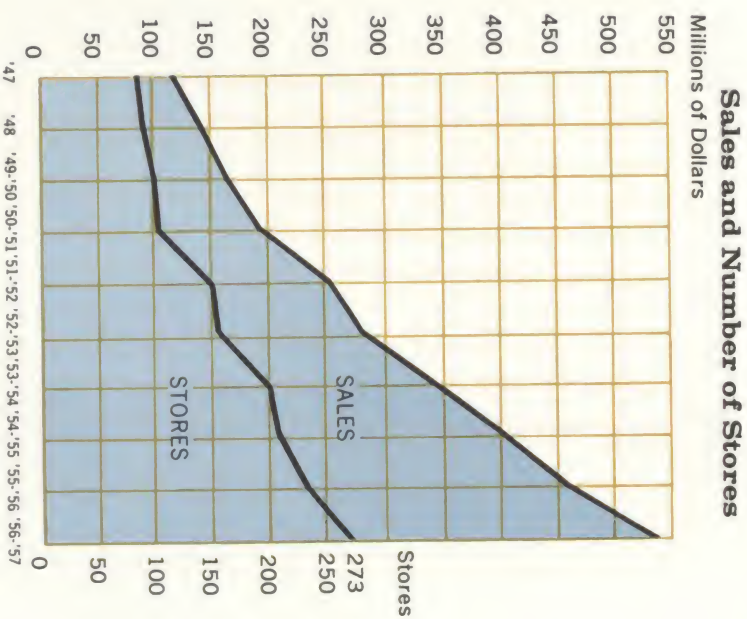
The granting of additional operating authority to branch managers to permit flexibility and rapid adjustment to local conditions has been another outgrowth of continued expansion. Under this decentralization program, development of branch management personnel for assumption of greater operating responsibilities is a continuing process. Last year, progress was made in extending this program and in further developing the previously decentralized areas.

The departmental management clinics for key supervisory personnel initiated during the previous year were continued during fiscal 1957. These clinics bring together by departmental groups operations specialists throughout the chain, thus providing a workshop to review common problems and to share technical experiences and ideas. As a management development vehicle, these clinics also include presentations and discussions on organization, training, administration and human relations.

In April, 1957, more than 120 key management personnel from all segments of the Company participated in the fourth Annual Review and Preview Conference at Philadelphia. At this management conference, the year's activities were reviewed and the current fiscal year's goals were outlined. Open discussions of plans and programs for the new year served to familiarize the participants with their respective roles in attaining these goals.

In a year marked by intense competitive activity, Store Operations directed continued attention to controlling operating expenses, holding the line against constant upward pressures, and working to achieve further operating efficiency. Better methods, tighter controls, more painstaking experimentation and utilization of the latest equipment were among the avenues pursued in this effort.

In Food Fair's continuing battle against rising costs, one of the newest and most effective instruments has been industrial engineering. During the latest fiscal year, the Company's industrial engineering



Industrial Engineers

THE YEAR IN REVIEW



group was established as a separate, expanded department.

The work of the industrial engineers is also evident in the design and planning of Food Fair's supermarkets. Instead of first creating floor space and then tailoring the supermarket operation to fit, the industrial engineer first designs a store operation suitable for the particular location and then places the walls of the store accordingly. In each store design, careful consideration is given to customer traffic flow, storage area location in relation to sales area, material flow and countless other factors.

Research and Development Activities

Analysis and research techniques applied to operating problems by the Store Control and Research department continue to be an important staff service to headquarters and field operating executives. In addition to preparing and issuing regular store operating statistical reports, this group makes special studies of the store operating figures designed to highlight areas requiring more intensive action and to provide standards and techniques for evaluating performance. Sales and expense analyses, merchandising research, trading area studies, consumer surveys, and other such basic research and analysis are carried out by this group on a regular basis.

Other specialized research and development activities are pursued within various operating departments. In the sphere of office operations, there are being made continuously systems and methods procedural studies aimed at simplifying paperwork and clerical operations so that necessary controls can be retained with increasing efficiency.

The cumulative effect of these research and development activities is reflected throughout the Company in constant striving by operating executives as well as by staff specialists further to improve internal efficiency and the quality of service which Food Fair renders to its customers.

Sav-Fair Division

A problem confronting the supermarket industry during recent years has been that of determining the extent to which housewives desire to shop in their supermarkets for clothing, housewares and other non-food items. With a view to finding clues, if not the complete answer, Food Fair during the

THE YEAR IN REVIEW

past year embarked on pilot operations which are expected to shed much-needed light on the problem. In this pioneering effort, your Company has established "Sav-Fair" operations in conjunction with three supermarkets on the west coast of Florida. These operations are designed to help determine the future general pattern of non-foods retail marketing and Food Fair's role in it.

Of necessity, the addition of a record high number of supermarkets has required substantial enlargement of Food Fair's warehouse, transportation and other auxiliary facilities. To service efficiently a greater number of units, construction of a 157,000 square foot addition to the Company's distribution center in Linden, New Jersey, was begun last year. The added facilities incorporate an air-conditioned candy warehouse operation which will be the most modern of its type. Facilities for soft goods and other non-food items are also included.

At the main Philadelphia distribution center, the Company embarked on the addition of 70,000 square feet. This project includes the increase of freezer space to 20,000 square feet. Included also in the over-all expansion is a modern, completely tiled salad kitchen as well as an air-conditioned and temperature-controlled egg candling operation.

Of the 42 Food Fair supermarkets added in the past fiscal year, six are located in shopping centers developed by Food Fair Properties, Inc., in which your Company has a substantial interest. Another has since been opened.

This shopping center affiliate has been making gratifying progress since its inception, and it has proved helpful in providing suitable locations for supermarkets. There are now 11 centers in full or partial operation and nine more are under construction. By the close of 1957, there should be in operation 16 shopping centers, and five others should be nearly completed. At least fifteen sites for centers are available for development in 1958.

Warehousing and Transportation

Shopping Center Affiliate

THE YEAR IN REVIEW



Community Relations

Automatically, the supermarket that moves into a community becomes a “neighbor” in the real sense of the term. For Food Fair, efforts to become a good neighbor begin long before its supermarket is opened in a community. Food Fair’s experience in Fairfield, Connecticut, mentioned in the editorial comment on page two, is a specific example.

To become acquainted with our new neighbors in Fairfield, and to acquaint them with us, Food Fair—in advance of the store opening—was host to a group of 47 officers of women’s clubs on an inspection tour of our nearby Stamford market. At a luncheon following the tour, the guests were encouraged to offer suggestions indicative of the services and merchandise they preferred.

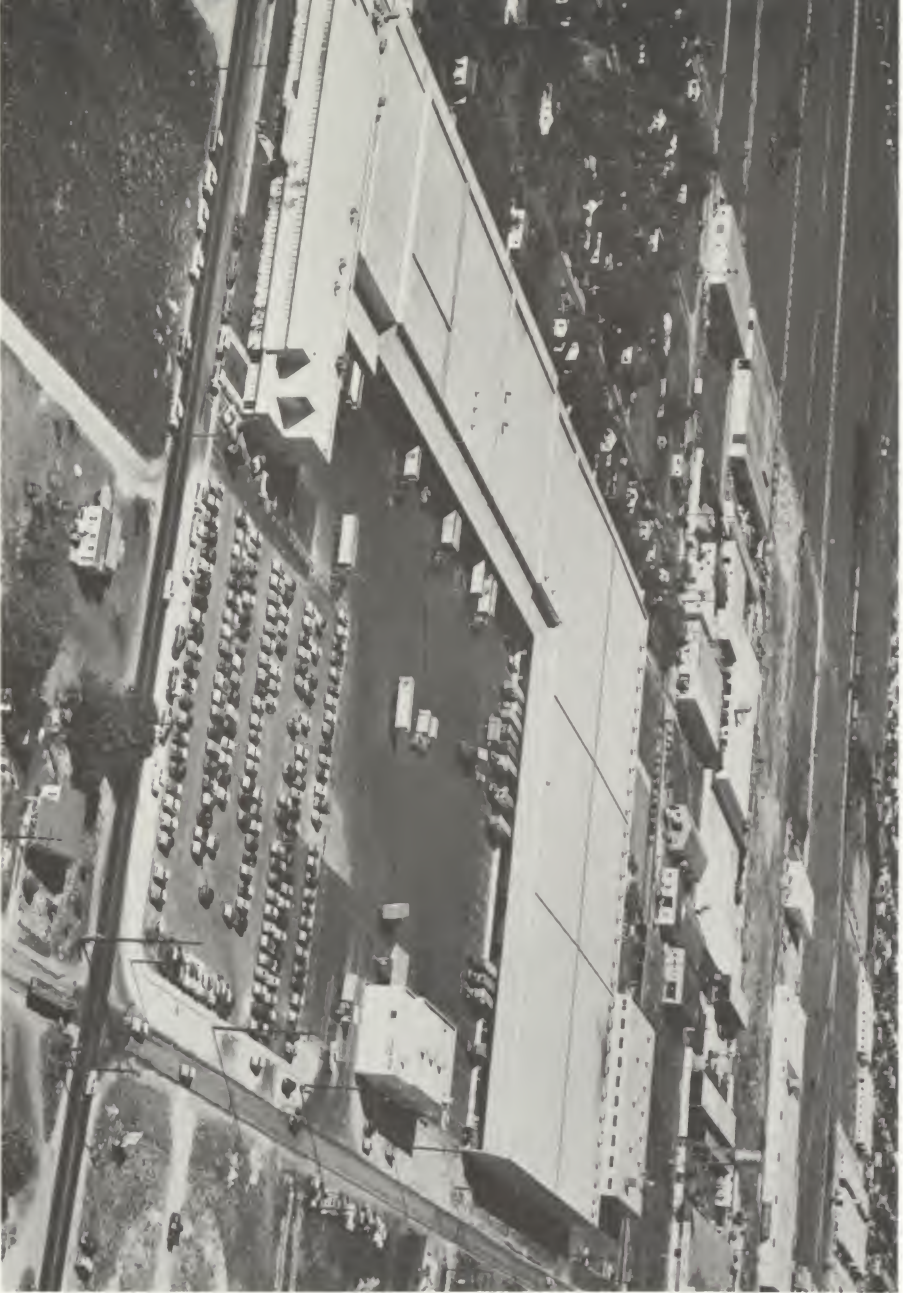
Shortly before the official opening of the Fairfield unit, at a “home warming” preview reception, the Company was host to scores of opinion molders in Fairfield as well as nearby Bridgeport, which has a Food Fair in its future. That evening, a similar reception was held for employees and their families. Opening day ceremonies were participated in by prominent civic leaders.

Many such instances can be cited. Extensive get-acquainted programs were carried out last year in the metropolitan Washington, D. C., area when two supermarkets were opened in nearby Virginia. In addition to previews and opening ceremonies, a project developed with Home Demonstration Clubs encouraged club member tours of the new markets. Additionally, a program arranged with home economic teachers in community schools provided for use of our markets as classroom laboratories for students. Similar activities were undertaken in other areas, with beneficial results.

Employees in Civic Affairs

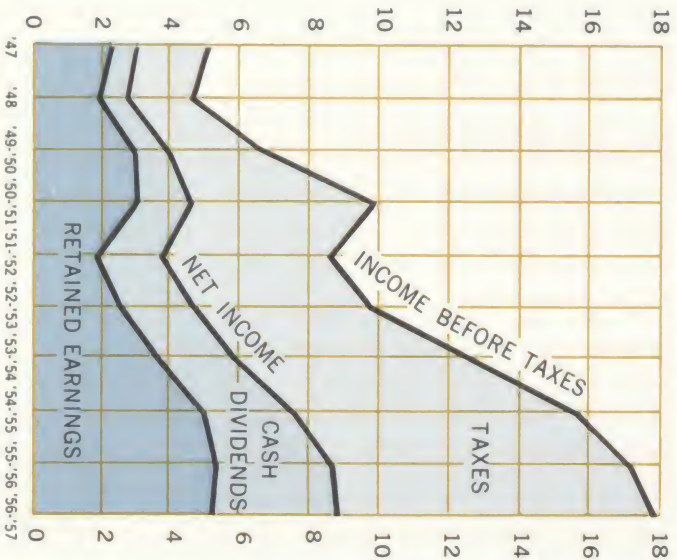
Food Fair’s efforts to be a good neighbor are never-ending, and employees are encouraged to interest themselves in civic affairs. It is significant that as many as 21 Food Fair store managers were last year selected in their respective communities as “Good Citizens” in the nation-wide Citizenship Award Program of the National Association of Food Chains. Moreover, for the second successive year, a Food Fair store manager was chosen from among more than 10,000 participants as one of 12 to whom

Now in full operation, Food Fair's modern distribution center and garage facilities in Miami, Florida, contain more than 400,000 square feet of space, and is designed to provide for expansion of the Southern Division.



Earnings Distribution

Millions of Dollars



THE YEAR IN REVIEW



national good citizen honors were awarded. In other ways, also, Food Fair last year expanded the pattern of its community relations activities. To mention one, the Company last year sponsored 36 Little League baseball teams, thereby affording some 650 youngsters an opportunity to play in organized leagues.

Food Fair Stores Foundation

With the 1957-58 academic year starting in September, close to 200 Food Fair Stores Foundation scholarships will be awarded to deserving students in communities served by Food Fair as well as to the Company's employes and their children. This university and college scholarship program is one facet of endeavors sponsored by the Food Fair Stores Foundation in the fields of philanthropy, research and education. The Foundation's education-aid program also includes support of independent college and school groups. A professorship in Marketing at the University of Pennsylvania's Wharton School of Finance and Commerce is maintained by the Foundation. Established in 1952, the Foundation reflects your management's business philosophy which entails recognition of responsibility to the welfare of the community and its people.

Employe Relations

The steady growth in the Food Fair family of workers is a reliable gauge of the Company's expansion over the years. This family comprised approximately 18,000 men and women on April 27, 1957, as compared with 9,800 associated with the Company only five years ago. Of the total number of personnel, close to 3,500 wear service pins betokening five years or more of continuous service. In 1957 alone, as many as 1,194 persons will be eligible to receive their first or graduated service pins. In days of full employment, the Company's low rate of employe turnover is a source of gratification to the management.

Our store manager training system has enabled us to keep abreast of personnel needs in the face of a record expansion program. Together with on-the-job training and key employe clinics, this system has provided a constant source of skilled manpower prepared to move up into positions of greater responsibility created by continued growth.

THE YEAR IN REVIEW

Annual Meeting

The annual meeting of Food Fair Stores, Inc., provides shareholders an opportunity personally to meet the management team and to discuss the affairs of your Company. The meeting will be held on August 20, 1957, at 2 P.M., in the North Garden Room of the Bellevue-Stratford Hotel, Philadelphia, Pennsylvania. It is hoped that shareholders will find it possible to attend in person.

Enclosed with this Report are a proxy and a proxy statement. Shareholders unable to attend the meeting are urged to date, sign, and return the proxy in accordance with instructions appearing on the form so that their shares may be represented.

Where the Food Fair Sales Dollar Goes

MERCHANDISE	/	80.99
WAGES, RENT, ETC.	/	15.74
INCOME TAXES	/	1.69
RETAINED IN BUSINESS	/	.95
CASH DIVIDENDS PAID TO STOCKHOLDERS	/	.63



TEN-YEAR STATISTICAL SUMMARY

*Food Fair Stores, Inc.
and Subsidiary Companies*



YEAR ENDED	NUMBER OF STORES AT END OF YEAR	SALES (000 OMITTED)	NET INCOME BEFORE TAXES ON INCOME	FEDERAL AND STATE INCOME TAXES	NET INCOME
April 27, 1957	273	\$545,141	\$17,809,430	\$9,184,826	\$8,624,604
April 28, 1956	238	475,198	17,004,552	8,401,518	8,603,034
April 30, 1955	216	410,053	15,229,599	7,856,198	7,373,401
*May 1, 1954	196	348,215	12,751,907	6,950,801	5,801,106
April 25, 1953	162	292,660	10,044,840	5,508,922	4,535,918
April 26, 1952	151	259,591	8,688,705	4,803,425	3,885,280
April 28, 1951	123	205,643	9,817,112	5,107,223	4,709,889
April 29, 1950	113	164,626	6,552,021	2,529,243	4,022,778
*December 31, 1948	105	142,036	4,459,220	1,673,927	2,785,293
December 27, 1947	95	121,765	4,719,905	1,832,848	2,887,057

*53 Weeks

NOTE: The 17-week period from January 1, 1949 to April 30, 1949 is not included in the above table. Net income for this period amounted to \$1,038,153.

CASH DIVIDENDS	EARNINGS RETAINED	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL	TOTAL ASSETS	NET WORTH
\$3,443,725	\$5,180,879	\$53,524,118	\$23,914,901	\$29,609,217	\$108,090,558	\$50,209,497
3,347,348	5,255,686	50,551,974	18,181,912	32,370,062	96,350,424	45,374,411
2,565,459	4,807,942	46,675,723	16,024,596	30,651,127	88,143,542	39,104,645
2,183,051	3,618,055	39,651,946	14,438,039	25,213,907	78,726,247	33,853,502
2,117,781	2,418,137	37,518,200	12,226,354	25,291,846	67,993,826	30,612,678
2,076,823	1,808,457	27,002,320	12,725,919	14,276,401	53,376,631	28,408,965
1,779,490	2,930,399	24,560,940	7,350,676	17,210,264	43,889,595	26,701,983
1,214,214	2,808,564	19,376,166	4,310,351	15,065,815	31,394,570	17,756,622
807,233	1,978,060	15,588,968	5,017,396	10,571,572	24,240,303	13,879,221
770,181	2,116,876	16,714,955	4,143,192	12,571,763	24,552,310	11,972,228

**CONSOLIDATED
STATEMENT OF
EARNINGS**

*Food Fair Stores, Inc.
and Subsidiary Companies*



For the Year (52 Weeks) Ended

	<u>April 27, 1957</u>	<u>April 28, 1956</u>
Sales.....	\$ 545,141,484	\$ 475,197,534
Cost of sales.....	<u>441,502,742</u>	<u>386,444,519</u>
Gross profit from sales.....	\$ 103,638,742	\$ 88,753,015
Operating expenses.....	<u>86,402,490</u>	<u>72,424,717</u>
Profit from operations (Note 6).....	\$ 17,236,252	\$ 16,328,298
Other income.....	<u>1,726,448</u>	<u>1,934,921</u>
Profit before interest expense.....	\$ 18,962,700	\$ 18,263,219
Interest expense.....	<u>1,153,270</u>	<u>1,258,667</u>
Net income before federal and state taxes on income.....	\$ 17,809,430	\$ 17,004,552
Federal and state taxes on income:		
Federal.....	\$ 8,697,989	\$ 8,077,079
State.....	486,837	324,439
Total federal and state taxes on income.....	<u>\$ 9,184,826</u>	<u>\$ 8,401,518</u>
Net income.....	<u>\$ 8,624,604</u>	<u>\$ 8,603,034</u>

**CONSOLIDATED
STATEMENT OF
FINANCIAL
CONDITION**

*Food Fair Stores, Inc.
and Subsidiary Companies*

	<i>April 27, 1957</i>	<i>April 28, 1956</i>
CURRENT ASSETS		
Cash.....	\$15,331,556	\$21,567,177
Accounts receivable.....	2,422,288	2,011,690
Inventories of merchandise and supplies, at lower of cost or market.....	32,385,798	26,189,013
Prepaid expenses.....	1,002,962	784,094
Properties under construction covered by commitments to purchase and lease back.....	2,381,514	
	<u>\$53,524,118</u>	<u>\$50,551,974</u>
LESS: CURRENT LIABILITIES		
Accounts payable.....	\$11,236,970	\$ 8,036,787
Accrued salaries and expenses.....	7,417,150	5,234,223
Federal and state income taxes payable, less United States Treasury Bills, 1957, \$2,977,575; 1956, \$2,979,957.....	5,260,781	4,910,902
	<u>\$23,914,901</u>	<u>\$18,181,912</u>
WORKING CAPITAL		
Investments, at cost.....	\$29,609,217	\$32,370,062
Land, at cost.....	3,382,852	3,176,141
Buildings and improvements, at cost, less allowance for depreciation—1957, - \$7,608,035; 1956, \$6,303,355.....	8,242,091	6,558,130
Fixtures and equipment, at cost, less allowance for depreciation—1957, \$12,710,125; 1956, \$10,040,970.....	20,773,935	18,046,619
Miscellaneous other assets.....	20,494,565	16,464,322
	<u>1,672,997</u>	<u>1,553,238</u>
	<u>\$84,175,657</u>	<u>\$78,168,512</u>
OTHER ASSETS		
Mortgages payable, due after one year.....	\$ 5,629,677	\$ 5,641,085
Fifteen year sinking fund debentures, 3 ⁰ / ₈ %—due January 1, 1965 (Note 1).....	6,116,000	6,512,000
Twenty year sinking fund debentures 3 ³ / ₈ %—due September 1, 1974 (Note 2).....	19,899,000	20,000,000
Liability for redemption of trading stamps, less estimated current amount included in accrued expenses.....	1,500,000	
Amounts received on subscriptions to shares of common stock pursuant to Employees' Stock Purchase Plan—1957, 72,645 shares; 1956, 76,314 shares.....	821,483	641,016
	<u>\$33,966,160</u>	<u>\$32,794,101</u>
NET ASSETS	<u>\$50,209,497</u>	<u>\$45,374,411</u>
DERIVED FROM		
Capital stock:		
Preferred (Note 4).....	\$ 6,547,500	\$ 6,903,500
Common (Note 5).....	3,190,736	3,097,809
Surplus:		
Capital.....	22,955,629	18,206,161
Earned (Note 3).....	<u>17,515,632</u>	<u>17,166,941</u>
	<u>\$50,209,497</u>	<u>\$45,374,411</u>

**CONSOLIDATED
STATEMENT OF
SURPLUS**

*Food Fair Stores, Inc.
and Subsidiary Companies*



CAPITAL SURPLUS

CAPITAL SURPLUS—APRIL 28, 1956.....	\$18,206,161
Excess over par value of 92,927 shares of common stock issued as a stock dividend.....	\$4,739,262
Excess of stated value over cost of 3,560 shares of cumulative preferred stock retired.....	<u>10,206</u>
	<u>4,749,468</u>
	<u>\$22,955,629</u>

ADDITIONS

**CAPITAL SURPLUS
APRIL 27, 1957**

EARNED SURPLUS

ADDITION

EARNED SURPLUS—APRIL 28, 1956.....	\$17,166,941
Net income for the year (52 weeks) ended April 27, 1957.....	<u>8,624,604</u>
Total.....	<u>\$25,791,545</u>

Dividends paid:

In stock:	
92,927 shares of common stock.....	\$4,832,188
In cash:	
Preferred stock \$4.20 per share.....	\$ 278,292
Common stock \$1 per share.....	<u>3,165,433</u>
	<u>3,443,725</u>

DEDUCTIONS

**EARNED SURPLUS
APRIL 27, 1957**

	<u>8,275,913</u>
	<u>\$17,515,632</u>

Notes to Financial Statements

The following notes are applicable to the Financial Statements as at April 27, 1957. Reference is made to previously issued report for the notes applicable to the statements as at April 28, 1956.

Note 1 These debentures are subject to repayment through sinking fund operations on each interest payment date in the following principal amounts: to and including July 1, 1960, \$225,000; thereafter, to and including July 1, 1964, \$300,000. The sinking fund requirements for the fiscal year ending April 26, 1958 have been anticipated.

Note 2 These debentures are subject to repayment through sinking fund operations beginning September 1, 1958, and on each interest payment date thereafter in the following principal amounts: to and including March 1, 1963, \$300,000; thereafter, to and including March 1, 1969, \$400,000; thereafter, to and including March 1, 1974, \$500,000.

Note 3 The indentures covering the issuance of the debentures described in Notes 1 and 2, above, contain restrictions as to the payment of cash dividends and the redemption of shares of stock of the Corporation. The maximum amount of earned surplus so restricted at April 27, 1957, was \$12,764,923.

Note 4 Preferred stock is \$4.20 cumulative, \$15 par value; 142,615 shares are authorized, of which 77,615 shares were issued, and 65,475 are outstanding. The Corporation is obligated to set aside \$120,000 semi-annually as a sinking fund for the redemption of the preferred stock, which may be called for this purpose at \$100 per share, plus accrued dividends. In addition, the Corporation may, at its option, call for redemption, all or any part of the preferred stock at a maximum price of \$102 per share, plus accrued dividends. Holders of this stock are entitled to preference of \$100 per share in involuntary liquidation.

Note 5 Common stock is \$1 par value; 10,000,000 shares are authorized, of which 3,190,736 shares are issued and outstanding.

At April 27, 1957, 72,645 shares of common stock were reserved for issuance pursuant to Employees' Stock Purchase Plan.

On May 21, 1957, the Board of Directors declared a common stock dividend of 3%, payable in common stock on August 26, 1957, to stockholders of record on July 12, 1957. Pursuant thereto, there have been reserved for issuance 95,723 shares of common stock. For each share so issued, earned surplus will be charged at the market price on the ex-dividend date, but not in excess of \$40.50 per share. Of the amount so charged, \$1 per share will be credited to capital stock common, and the balance to capital surplus.

On November 27, 1956, the Company, under an employees' restricted stock option plan, granted options to certain employees and officers to purchase 197,399 shares of common stock at \$37.62, \$42.04 and \$48.68 per share, such prices being 85%, 95% and 110%, respectively, of the market price on that date. The options are exercisable on a cumulative basis, at the rate of 20% per annum after November 27, 1957, and expire on November 27, 1963. In connection therewith, 5,922 shares of common stock are reserved for issuance as stock dividends upon exercise of these options.

Note 6 Costs and expenses include depreciation and amortization of \$4,593,960 and \$4,024,456 for the years ended in 1957 and 1956, respectively.

LAVENTHOL, KREKSTEIN & CO.

Certified Public Accountants

NEW YORK
PHILADELPHIA
HARRISBURG
WILKES-BARRIE
LEWISTOWN

1829 WALNUT STREET
PHILADELPHIA 2, PA.

The Board of Directors
Food Fair Stores, Inc.

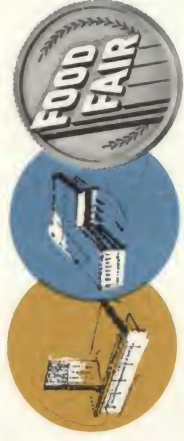
We have examined the consolidated statement of financial condition of Food Fair Stores, Inc. and its wholly-owned subsidiary companies at April 27, 1957, and the consolidated statements of earnings and surplus for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial condition, and related consolidated statements of earnings and surplus present fairly the consolidated position of the companies at April 27, 1957, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Laventhol, Krekstein & Co.

LAVENTHOL, KREKSTEIN & CO.

Philadelphia, Pa.
June 25, 1957



OFFICERS and DIRECTORS

OFFICERS

Samuel Friedland *Chairman of the Board*
 George Friedland *Vice Chairman of the Board*
 Louis Stein *President*
 Myer B. Marcus *Executive Vice President*
 Arthur Rosenberg *Vice President*
 Herman R. Silver *Vice President*
 Jack M. Friedland *Vice President*
 David T. Friedland *Vice President*
 Arnold D. Cohen *Vice President*
 Myer M. Gordon *Treasurer*
 B. F. Lieber *Secretary*
 Joseph Rash *Assistant Secretary*
 Samuel Forman *Assistant Secretary*
 Abraham Maloff *Assistant Secretary*

DIRECTORS

George Friedland Philadelphia, Pa.
 Jack M. Friedland Philadelphia, Pa.
 Samuel Friedland Miami Beach, Fla.
 Myer M. Gordon Philadelphia, Pa.
 Hess Kline Philadelphia, Pa.
 James P. Magill Philadelphia, Pa.
 Myer B. Marcus Philadelphia, Pa.
 Arthur Rosenberg Philadelphia, Pa.
 Harold W. Scott Philadelphia, Pa.
 Herman R. Silver Philadelphia, Pa.
 Louis Stein Deal, N. J.

EXECUTIVE OFFICES

2223 East Allegheny Avenue,
 Philadelphia 34, Pennsylvania

*Food Fair Stores, Inc., \$4.20
 preferred stock and common stock
 are fully listed on the New York
 Stock Exchange.*

GENERAL COUNSEL

Stein, Stein & Engel 26 Journal Square
 Jersey City, N. J.

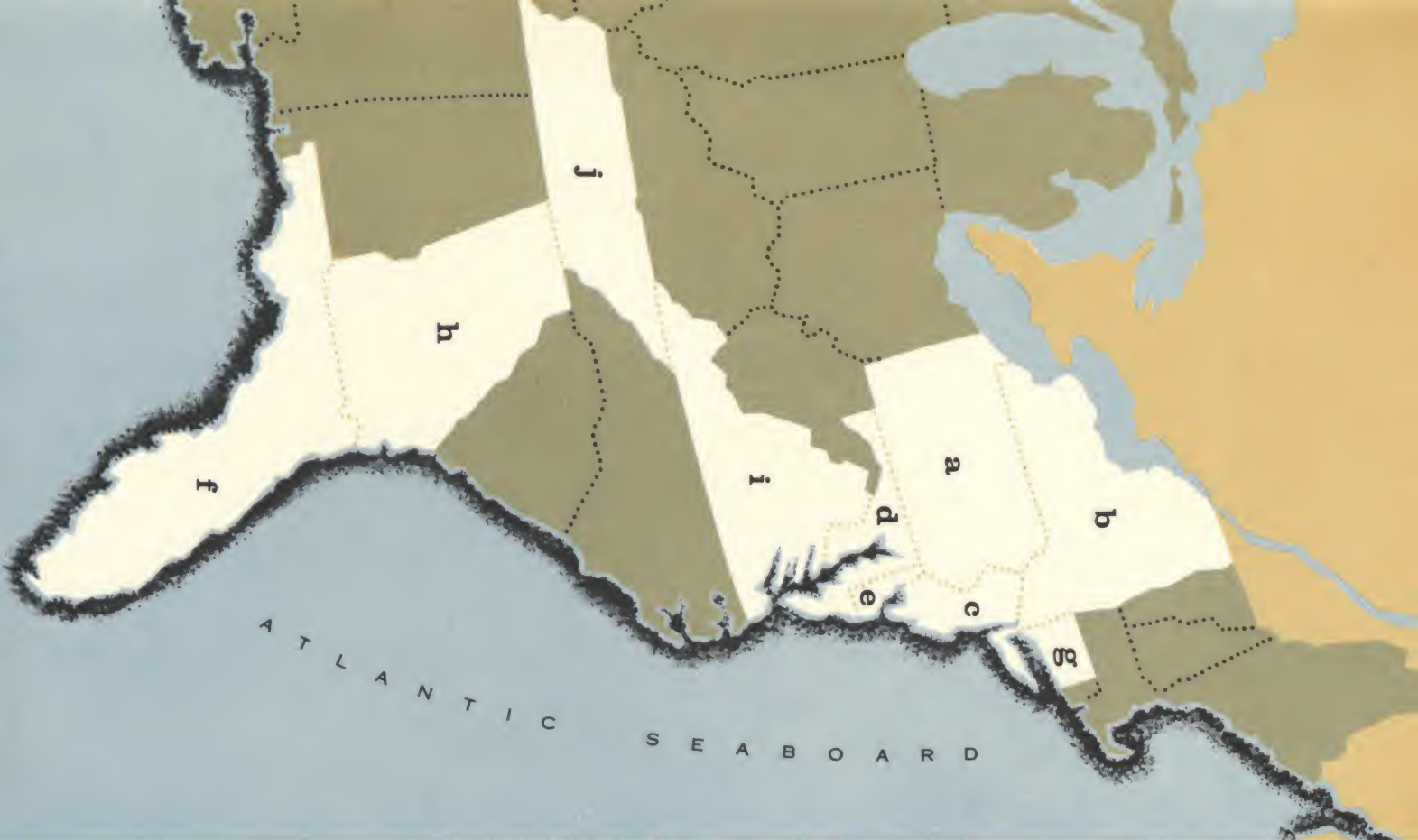
TRANSFER AGENT

Registrar & Transfer Company 50 Church Street, New York, N. Y.
 15 Exchange Place, Jersey City, N. J.

REGISTRAR

The Chase Manhattan Bank 40 Wall Street
 New York, N. Y.

Food Fair Supermarkets as of April 27th, 1957



a PENNSYLVANIA

- 73** ALLENTOWN (4)
 BETHLEHEM (3)
 BRISTOL
 BROOKHAVEN
 BROOKMALL
 BRYN MAWR
 CAMP HILL
 CARLISLE
 CHESTER (2)
 COATESVILLE
- COLUMBIA
 DOWNINGTOWN
 DREXEL HILL
 EASTON
 EAST YORK
 ELKINS PARK
 GLENSIDE
 HARRISBURG (4)
 HORSHAM
 TOWNSHIP
- JENKINTOWN
 LANCASTER (3)
 LANANON (2)
 LEMOYNE
 LEVITTOWN (2)
 NORRISTOWN
 PHILADELPHIA (21)
 POTTSTOWN
 QUAKERTOWN
 READING (3)
- SCHUYLKILL
 HAVEN
 SHARON HILL
 SHILLINGTON
 SPRINGFIELD
 TOWNSHIP
 WEST CHESTER
 WEST READING
 YORK (3)

b NEW YORK

- 30** ASTORIA
 BAYSIDE
 BETHPAGE
 EAST MEADOW
 FAR ROCKAWAY
 FLUSHING
 FOREST HILLS
- FRANKLIN SQUARE
 FREEPORT
 FRESH MEADOWS (2)
 GARDEN CITY
 GREAT NECK
 HICKSVILLE
 JACKSON HEIGHTS
- LEVITTOWN (2)
 MANHASSET
 MASSAPEQUA
 NEW HYDE PARK (2)
 NEW YORK (3)
 PEARL RIVER
 PLAINVIEW
- OCEANSIDE
 OGDENS VILLAGE
 STATEN ISLAND
 WHITESTONE

c NEW JERSEY

- 61** ATLANTIC CITY (2)
 BELLEVILLE
 BRIDGEFON
 CAMDEN (2)
 CLIFTON (2)
 COLLINGSWOOD
 COLOMBUS
 EAST ORANGE
 ELIZABETH (3)
 ENGLEWOOD
 EWING TOWNSHIP
 FAIR LAWN
 FORT LEE
- HACKENSACK
 HADDON TOWNSHIP
 HAMILTON
 TOWNSHIP
 HIGHLAND PARK
 IRVINGTON (2)
 JERSEY CITY (3)
 LIVINGSTON
 LODI
 MADISON
 TOWNSHIP
 MONTCLAIR
 MORRISTOWN
- NEPTUNE CITY
 NEW MILFORD
 NEWARK (4)
 NEW BRUNSWICK
 NORTH
 ARLINGTON
 NORTH BERGEN
 NUTLEY
 UNION
 PACKANACK LAKE
 PASSAIC
 PATERSON (2)
 PERTH AMBOY
 PHILLIPSBURG
- PLAINFIELD
 POINT PLEASANT
 RIDGEWOOD
 ROSELLE
 TEANACK
 TOMS RIVER
 TRENTON (3)
 UNION
 VINELAND
 WEST NEW YORK
 WESTVILLE

d MARYLAND

- 31** BALTIMORE (18)
 BALTIMORE COUNTY (2)
 BROOKLYN
- CATONSVILLE
 COLLEGE PARK
 DUNDALK
 EASTON
- ESSEX
 FREDERICK
 GLEN BURNE
 PIKESVILLE
- TOWSON
 WHEATON

e DELAWARE

- 6** BROOKSIDE
 CLAYMONT
- RICHARDSON PARK
 WILMINGTON (2)
- WILMINGTON
 MANOR

f FLORIDA

- 61** CLEARWATER (2)
 CORAL GABLES (4)
 DANIA
 DELRAY BEACH
 FORT LAUDERDALE (5)
- FORT PIERCE
 HIALEAH (4)
 HOLLYWOOD (3)
 HOMESTEAD
 LAKE WORTH
 MIAMI (24)
- MIAMI BEACH (5)
 MIAMI SPRINGS
 POMPANO BEACH
 RIVIERA BEACH
 ST. PETERSBURG
 SURFSIDE
- TAMPA
 WEST PALM BEACH (2)
 WILTON MANORS

g CONNECTICUT

- 6** FAIRFIELD
- NORWALK
- STAMFORD (3)
- WESTPORT

h GEORGIA

- 1** ATLANTA
- i VIRGINIA**
- ARLINGTON
- FALLS CHURCH

j TENNESSEE

- 2** CHATTANOOGA (2)



FOOD FAIR STORES, INC.